

2005 STATEWIDE HOSPITAL FISCAL REPORT SUMMARY

I. Introduction

On an annual basis, each acute care hospital in Indiana identifies its expenses for annual operation and the inpatient and outpatient revenues for patient services. These statistics are developed by the hospital and filed with the Indiana State Department of Health (ISDH). Indiana Code 16-21-6-11 requires the ISDH to publish this information to aid the consuming public in making fiscal comparisons among hospitals.

This report focuses on the hospitals' financial status and follows annual publication of the hospitals' service reports, which focus on discharges, patient days, total charges by service, and outpatient visits.

This summary will include the key definitions and statewide totals for all key financial indicators (see Table A). This statewide report will summarize fiscal year 2005 results for 133 hospitals. (Individual reports for each hospital are also included on this Web site.) This summary will then review key financial indicators for the three-year period 2003-2005, as well as among small, medium, and large hospitals in Indiana (see Tables B-J). This overview will conclude with 12 performance standards incorporated into every report to provide comparisons among similar hospitals (see Table K).

Table A
Statewide Hospital Fiscal Summary

Statement One: Summary of Revenue and Expenses

Each fiscal year, each hospital must account for its earned revenue, expenses, and the deficit/surplus of funds in the past 12-month period. Statement One, Summary of Revenue and Expenses, will provide the definition of terms and summarize the 2005 statewide total for 133 hospitals in Indiana.

1. Gross Patient Service Revenue

Term	Definition ¹	2005 Statewide Total ²	Percent of Subtotal
Inpatient Service Revenue	The total billed value of inpatient services including the value of routine services and ancillary services provided to inpatients.	\$14,095.7	54.5%
Outpatient Service Revenue	The total billed value of outpatient services.	\$11,743.9	45.5%
Total Gross Patient Service Revenue	The total inpatient and outpatient revenue from services.	\$25,839.6	100.0%

*Data in hundred thousands (\$000,000)

2. Deductions from Revenue

Term	Definition	2005 Total	% of Total
Contractual Allowances	The difference between charges at established rates and the amounts realizable from third-party payers under contractual agreements.	\$11,812.9	93.0%
Other Deductions	The deductions including charity care and excluding contractual allowances.	\$885.0	7.0%
Total Deductions		\$12,697.9	100.0%

3. Total Operating Revenue

Term	Definition	2005 Total	% of Total
Net Patient Service Revenue	The gross patient service revenue less deductions for contractual allowances and other deductions.	\$13,142.6	96.0%
Other Operating Revenue	Incoming revenue not generated by patient services.	\$541.3	4.0%
Total Operating Revenue		\$13,683.9	100.0%

4. Operating Expenses

Term	Definition	2005 Total	% of Total
Salaries and Wages	The total payment at regular intervals for work or services of employees.	\$4,832.2	37.1%
Employee Benefits	Fringe benefits in addition to salary. Fringe benefits include FICA taxes, pension plans, health and life insurance, unemployment taxes, and worker compensation.	\$1,293.7	9.9%
Depreciation/Amortization	Portion of tangible and intangible operating assets charged as an expense each fiscal year.	\$742.3	5.7%
Interest	The cost incurred for borrowing money. These costs are only for the value of funds received for loans given to the entity.	\$206.1	1.6%
Bad Debt	The services rendered for which payment is anticipated and credit is extended to a patient. Expenses are estimated and recognized when providing an allowance for such amounts to be written off at the time that the accounts are deemed uncollectable.	\$783.5	6.0%
Other Expenses	Other outgoing dollars	\$5,173.7	39.7%
Total Expenses		\$13,031.5	100.0%

*Data in hundred thousands (\$000,000)

5. Net Revenue and Expenses

Term	Definition	2005 Total	% of Total
Net Operating Revenue over Expenses	The deficit or surplus of funds gained when one subtracts the total operating expenses from the total operating revenue.	\$656.2	79.1 %
Net Non-Operating Gains over Losses	Same calculation as for non-operating funds.	\$173.3	20.9%
Net Gain/Loss		\$829.5	100.0%

6. Assets and Liabilities

Term	Definition	2005 Total	% of Total
Total Assets	All of the property, accounts receivable, cash, etc., of the hospital.	\$17,353.4	100.0%
Total Liabilities	Sum of current liabilities, deferred credit, net long-term debt, and inter-company indebtedness.	\$8,988.4	100.0%

*Data in hundred thousands (\$000,000)

Statement Two: Contractual Allowances By Payer Group

Statement Two, Contractual Allowances by Payer Group, provides the difference between the revenue at established rates and the amount realizable from third-party payers under contractual agreements.

Term	Definition "Gross Revenue minus contractual allowances ..."	2005 Total	% of Total
Medicare	From federal Title 18.	\$3,725.4	28.1%
Medicaid	From state/federal Title 19.	\$762.3	5.8%
Other Government	From local and state government sources other than Medicaid.	\$442.7	3.3%
Commercial Insurance	From all other payers including health maintenance organizations and commercial insurance plans.	\$8,307.7	62.8%
Total Allowances		\$13,238.1	100.0%

*Data in hundred thousands (\$000,000)

Statement Three: Unique Service or Financial Category

Statement Three, Unique Service or Financial Category, provides four unique sources of incoming revenue and outgoing expenses in the areas of donations, education, medical research, and grants.

Term	Definition	2005 Total Net Gain or Loss	% of Gross Patient Revenue
Donation	Difference between incoming gifts from outside organizations and outgoing gifts (including cash) to organizations outside the hospital's corporate structure.	(\$5.9)	>0.1%
Education	Total net gain or loss from training medical professionals, educating inpatients, and educating the general public.	(\$161.9)	0.6%
Research	Net gain or loss between incoming revenues and outgoing expenses needed to provide research services. Revenues include state or federal dollars given to the hospital for conducting scientific inquiry. Expenses include the cost of facilities, staffing, and equipment.	(\$6.6)	>0.1%
Hospital Bioterrorism Grant Funding	Fiscal Year Grant Funding to Indiana Acute Care Hospitals from ISDH under federal Hospital Bioterrorism grants. All funding was expended during the fiscal year.	\$8.5	>0.3%
Number of Individuals Educated	Estimate of the total number of medical professionals (physicians, nurses, technicians, and other medical professionals), hospital patients, and number of citizens exposed to health education messages.	16.5	NA

*Data in hundred thousands (000,000)

Statement Four: Cost of Charity and Subsidized Community Benefits

The fourth and final statement, Cost of Charity and Subsidized Community Benefits, provides an estimate of the unreimbursed costs of hospitals in Indiana. The information is based on a 14-step methodology to calculate the charges by a hospital and compare that to the payments and cost adjustments by third-party payers, community organizations, or individuals. The information is summarized for government and proprietary owners, and is expanded for nonprofit hospitals that must report additional information under the Charity Reporting Act (IC 16-21-9).

Term	Definition	2005 Total	% of Total Net Patient Revenue
Charity Care	The unreimbursed costs of providing, funding, and otherwise financially supporting health care services provided by the hospital to an obligated patient for which the hospital, pursuant to the principal terms of its charity policy, completely or partially waives its reimbursement. Charity care does not include community discount care or health care that results in bad debt.	(\$388.0)	1.5%
Community Benefits	Total unreimbursed costs of providing care to patients unable to pay, to patients covered under government funded programs, and for medical education training. Total also includes community health education, community programs and services, and other unreimbursed costs.	(\$643.3)	2.5%

*Data in hundred thousands (\$000,000)

II. SUMMARY OF REVENUE AND EXPENSES

In 2005, the average acute care hospital received \$97.1 million dollars in revenue (after deductions) as payment for services and expended \$91.4 million dollars to pay for salaries for hospital employees, interest payments, and other expenses.

In total, the 133 hospitals received \$12.8 billion dollars (after deductions) as payment for services and expended \$12.1 billion dollars to pay for expenses (see Table B)³.

Table B
Annual Total Revenue and Expenses, 2005

Fiscal Indicator	
1. Total Gross Patient Service Revenue	\$25,839,598,625
2. Total Deductions from Revenue	\$12,697,022,299
3. Total Operating Revenue	\$13,683,972,170
4. Total Operating Expenses	\$13,031,492,685
5. Total Net Gains over Losses	\$829,524,383

A. Inpatient and Outpatient Revenue

In 2005, 54.5 percent of all gross patient revenue was for inpatient care, and 45.5 percent was for outpatient care (see Tables C and D).

Table C displays the key financial indicators for hospitals in four categories: small, medium, large, and specialized hospitals. One will note that the revenue for the larger hospitals represents 61.7 percent of all revenue, but only 17.3 percent of the total number of hospitals.

Table C represents the gross inpatient revenue per discharge. The statistic is derived by dividing the gross inpatient revenue by the number of discharges. In comparison, according to a national publication, the statewide average for 2005 of \$11,340 can be compared to the average equivalent revenue per discharge of \$10,656 in the East North Central United States. (Source: W Cleverley, PhD. *Almanac of Hospital Financial and Operating Indicators*, 2006 [hence Almanac]).

Table C
Inpatient Gross Revenue per Discharge, 2005

Type of Hospital	Gross Inpatient Revenue *	Number of Discharges	Gross Inpatient Revenue per Discharge
Small Hospitals	\$592.9	60,485	\$9,802
Medium Hospitals	\$3,885.0	245,265	\$15,840
Large Hospitals	\$8,699.1	392,983	\$22,136
Specialized Hospitals	\$918.6	27,045	\$33,967
All Hospitals	\$14,095.7	725,778	\$19,421

*Financial data in hundred thousands (\$000,000)

Table D presents the amount of outpatient revenue in fiscal year 2005. In 2005, the percent of outpatient revenue was 46.1 percent. According to the Almanac, that can be compared to an average outpatient percentage of 51.75 percent for the East North Central United States.

Table D
Outpatient Gross Revenue per Visit, 2005

Type of Hospital	Gross Outpatient Revenue	Number of Visits	Gross Outpatient Revenue per Visit
Small Hospitals	\$1,245.9	1,386,160	\$898.88
Medium Hospitals	\$3,972.6	4,005,681	\$991.75
Large Hospitals	\$6,354.9	5,016,875	\$1,266.72
Specialized Hospitals	\$170.3	137,624	\$1,237.60
All Hospitals	\$11,743.9	10,546,340	\$1,113.00

*Financial data in hundred thousands (\$000,000)

B. Revenue by Third-Party Payer

Table E shows the distribution of total revenues by key third-party payers. The table shows Indiana's efforts to serve the population ≥ 65 years of age under the Medicare program and adjust to the annual reconciliation by the U.S. Congress. The table also shows the relative importance of health maintenance organizations and commercial insurance plans to serve all communities in Indiana.

Table E
Percentage of Net Patient Service Revenue
by Third-Party Payer, 2005

Third-Party Payment	Type of Hospital	Net Patient Service Revenue*	% of Patient Service Revenue	Accumulative % of Patient Service Revenue
Medicare	Small	\$301.8	2.3%	2.3%
	Medium	\$1,200.5	9.2%	11.5%
	Large	\$1,917.7	14.7%	26.2%
Other Government	Small	\$36.1	0.3%	26.5%
	Medium	\$202.5	1.6%	28.1%
	Large	\$942.9	7.2%	35.3%
Commercial/Private HMO	Small	\$569.7	4.4%	39.7%
	Medium	\$2,587.7	19.8%	59.5%
	Large	\$4,892.7	37.5%	97.0%
Other	Specialized	\$397.9	3.0%	100.0%
All Payers		\$13,031.5	-	100.0%

*Data in hundred thousands (\$000,000)

C. Income Statements by Hospitals

(1) By Peer Groups

- Out of the 133 hospitals, approximately 29 percent of the hospitals were small hospitals (under 150 beds), and 17 percent of the hospitals were large (over 300 beds). These 133 hospitals were located in 72 of the 92 counties in Indiana.
- In contrast, 7 percent of the gross patient service revenue was generated by small hospitals, and 59 percent of the total gross patient service revenue was generated by large hospitals (see Figure 1 and Table F).

Figure 1
Percent of Hospitals and Gross Patient Revenue
by Peer Group, Indiana, 2005

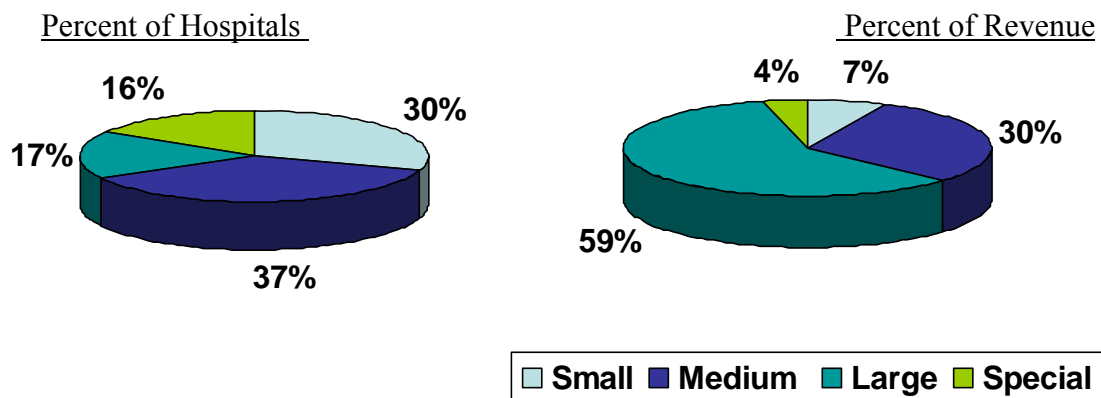


Table F
Total Expenditures*, Indiana,
Small, Medium, and Large Hospitals, 2005

Fiscal Indicator	Small Hospitals (Peer 1)	Medium Hospitals (Peer 2-3)	Large Hospitals (Peer 4-5)	Specialized Hospitals (Peer 7)
1. Total Gross Patient Service Revenue	\$1,839	\$7,858	\$15,054	\$1,089
2. Total Deductions from Revenue	\$804	\$3,658	\$7,177	\$519
3. Total Operating Revenue	\$1,035	\$4,200	\$7,877	\$570
4. Total Operating Expenses	\$1,004	\$3,930	\$7,580	\$518
5. Total Net Gains over Losses	\$31	\$270	\$297	\$52
6. No. of Hospitals w/Neg Operating Margins	11	8	4	6
7. No. of Hospitals	39	49	23	22

*Financial data in hundred thousands (\$000,000)

(2) By Type of Hospital

- 76 of the 133 hospitals, or 57 percent of all hospitals, are organized to provide comprehensive *short-term* general services. The other 43 percent of the hospitals offer specialized long-term-care acute service (14 hospitals), rehabilitation services (7 hospitals), or serve a rural community as a critical access hospital (36 hospitals).
- In contrast, 88 percent of the gross patient service revenue was generated by the short-term hospitals, and 12 percent by all other hospital types.

Figure 2 displays the key financial indicators by hospital type. The definition of those hospital types follows:

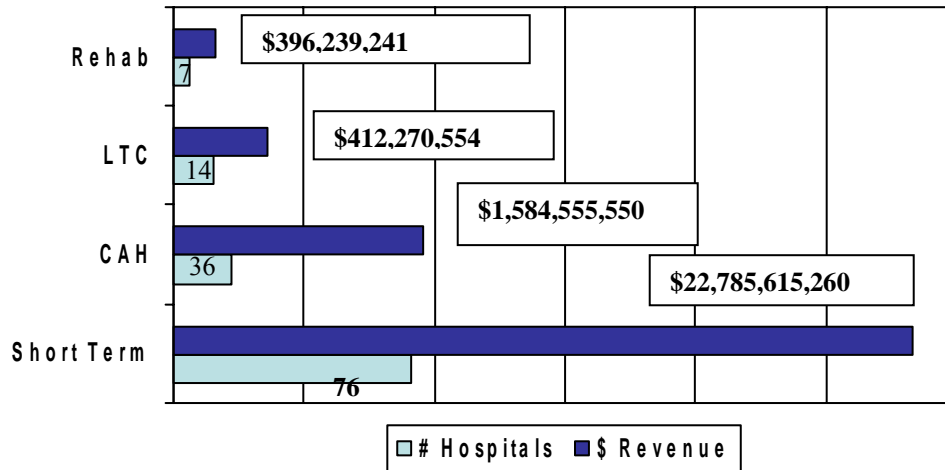
Critical Access Hospital (CAH): a small, rural community hospital that receives cost-based reimbursement. To be designated as a CAH, a rural hospital must meet defined criteria that are outlined in the Conditions of Participation (42 CFR 485) and subsequent legislative refinements to the program through the BBRA, BIPA, and Medicare Modernization Act.

Long-Term Hospital: a hospital with an average patient length of stay of greater than 25 days.

Rehabilitation Hospital: a hospital that provides medical, health-related social and/or vocational services to disabled individuals to help them attain their maximum functional capacity.

General or Short-Term Hospital: a hospital with an average patient length of stay of 25 days or less.

Figure 2
Number of Hospitals and Gross Patient Service Revenue
by Type of Hospital, Indiana, 2005



(3) Ownership of Hospitals

- There are three general categories of hospital ownership: nonprofit, government-based, and proprietary ownership. Of the 133 hospitals, 52 percent were nonprofit (69 hospitals), 28 percent were government-based (37 hospitals), and 20 percent were proprietary (27 hospitals).
- In contrast, 71 percent of the gross patient service revenue was generated by nonprofits, 16 percent by government entities, and 13 percent by proprietary hospitals.

Figure 3
Percent of Hospitals and Gross Patient Revenue
by Ownership, Indiana, 2005

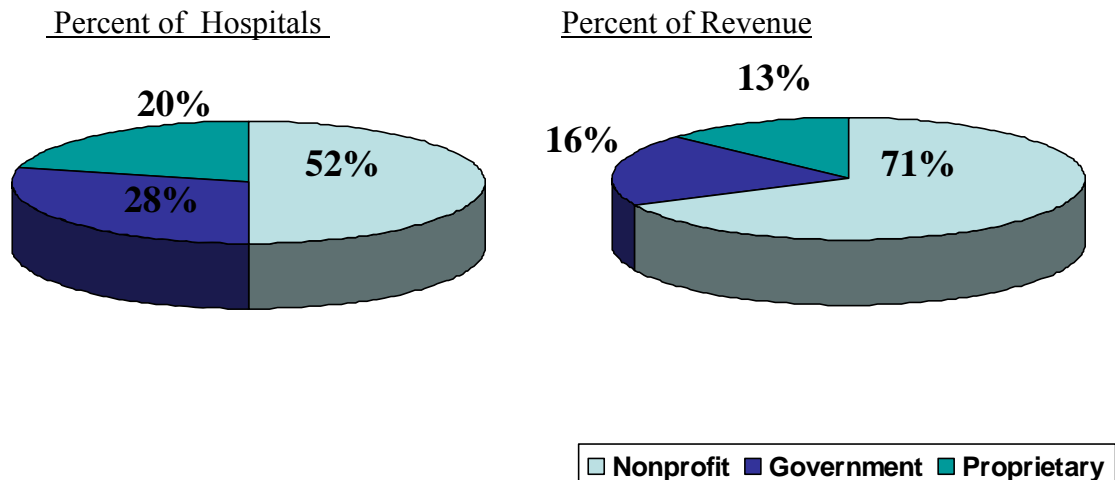


Table G
Total Expenditures*, Indiana
by Ownership of Hospitals, 2005

Fiscal Indicator	Government Ownership	Nonprofit Ownership	Proprietary Ownership
Total Gross Patient Service Revenue	\$4,1752.2	\$18,255.1	\$2,872.3
Total Deductions from Revenue	\$1,722.1	\$8,422.6	\$1,470.9
Total Operating Revenue	\$2,450.1	\$9,832.4	\$1,401.4
Total Operating Expenses	\$2,535.3	\$9,296.9	\$1,199.1
Total Net Gains over Losses	(\$85.2)	\$535.5	\$202.3
Number of Hospitals with Neg. Operating Margins	10	11	8
Number of Hospitals	37	69	27

*Financial data in hundred thousands (\$000,000)

(4) Geographic Region of Indiana

Table H
Hospital Average Total Net Return by Public Health District

Public Health Districts	Largest City in District	Total Acute Care Hospitals	Average Total Operating Revenue	Average Total Operating Expenses	Average Total Net Return
One	Gary	13	\$134.4	\$132.2	\$2.2
Two	South Bend	12	\$96.4	\$90.6	\$6.4
Three	Fort Wayne	17	\$86.9	\$73.7	\$13.3
Four	Lafayette	7	\$61.1	\$59.6	\$1.5
Five	Indianapolis	27	\$163.4	\$159.0	\$4.4
Six	Muncie	16	\$73.8	\$71.2	\$2.6
Seven	Terre Haute	7	\$64.1	\$58.4	\$5.5
Eight	Bloomington	8	\$77.6	\$74.8	\$2.8
Nine	Clarksville	11	\$54.5	\$52.6	\$1.8
Ten	Evansville	15	\$74.7	\$69.9	\$4.8
Total		133	\$100.6	\$ 95.7	\$4.8

*Financial data in hundred thousands (\$100,000)

Note: 1. A map of Indiana Public Health Districts can be found at
<http://www.in.gov/isdh/healthinfo/districts.htm>

D. Three-Year Trends

During the three-year period, 2003-2005, there has been a 15 percent increase in the total operating revenue of the hospitals and an increase in the number of hospitals with negative operating margins (see Table I).

Table I
Annual Total Expenditures*, Indiana, 2003-2005

Fiscal Indicator	2003	2004	2005
1. Total Gross Patient Service Revenue	\$20,617.2	\$23,028.7	\$25,839.6
2. Total Deductions from Revenue	\$8,502.4	\$10,879.9	\$12,697.0
3. Total Operating Revenue	\$11,660.0	\$12,816.8	\$13,683.9
4. Total Operating Expenses	\$11,121.6	\$12,065.4	\$13,031.5
5. Total Net Gains over Losses	\$538.4	\$959.6	\$829.5
6. No. of Hospitals w/Neg Operating Margins	27	27	29
7. Number of Hospitals	131	132	133

*Financial data in hundred thousands (\$000,000)

E. Three-Year Margins

From a public perspective, the key concern must be to ensure access to hospitals for all citizens regardless of insurance plans and to track hospitals that have experienced losses in receiving less revenue than expenses on an annual basis. Two hospitals that experienced losses during 2003-2005 are shown in Table J.

Table J
Identification of Acute Care Hospitals
with Three Years of Negative Total Margins

* * * Annual Margin * * * *

Name of Hospital	City	2003	2004	2005
Dukes Memorial Hospital	Peru	(\$3,577,068)	(\$860,715)	(\$3,336,342)
St Mary's Warrick	Boonville	(\$43,624)	(\$1,463,098)	(\$1,676,119)

*Data in hundred thousands (\$000,000)

III. Assessing Financial Health of Hospitals

Table K shows 12 performance indicators that the ISDH has selected, analyzed, and posted with each 2005 fiscal report. These indicators are key financial and operating indicators needed to compare hospitals of similar size. Table K shows the indicators and the average values for larger hospitals in fiscal year 2003 and 2005.

Each hospital fiscal report will compare the hospital's values with similarly sized hospitals in its peer group: small, medium, large, and specialized.

Table K presents key financial and operating indicators needed to compare similarly sized hospitals. The table shows the average values for larger hospitals in Indiana in 2005. Utilization and charge statistics were not adjusted for severity, case mix, or any of a variety of other factors that could affect comparisons among facilities. Therefore, all interpretations of actual data and all comparisons of one facility to another should be made with caution.

Table K also presents the total margins in fiscal year 2005. The statistic is derived by dividing the total patient service revenue by the total net gain or loss of the hospital. According to the Almanac, the statewide average of 4.3 can be compared to average total margins of 3.1 for the East North Central United States.

TABLE K
ISDH Performance Indicators Used in Each Hospital Report and the Average Value
Submitted by Large Hospitals in Indiana

Performance Indicator	Methodology	Range of Values	
		Average 2003	Average 2005
1. # of FTE's	Number of Full-Time Equivalents	2,212	2,325
2. % of Salary	Salary Expenses divided by Total Expenses	37.8%	36.6%
3. Average Daily Census	Patient Days divided by Annual Days (365 days)	237.6	242.8
4. Average Length of Stay	Number of Patient Days divided by Number of Discharges	5.1	5.2
5. Price of Medical/Surgical Care per Stay	Total Medical/Surgical Charges divided by Medical/Surgical Discharges	\$3,042	\$3,731
6. Gross Price per Discharge	Gross Inpatient Revenue divided by Total Discharges	\$17,323	\$21,526
7. Outpatient Revenue Percentage	Outpatient Revenue divided by Gross Total Revenue	40.9%	42.6%
8. Gross Price per Visit	Gross Outpatient Revenue divided by Total Outpatient Visits	\$1,022	\$1,384
9. % of Medicare	Medicare Revenue divided by Gross Patient Revenue	39.5%	38.1%
10. % of Bad Debt	Bad Debt Expense divided by Gross Operating Expenses	4.5%	5.2%
11. Charity Allocation	Unreimbursed costs of providing services to patients under adopted charity policy	(\$10,021,313)	(\$6,360,979)
12. Net Margin	Excess of Revenue over Expenses divided by Total Operating Revenue	4.3	5.1

FOOTNOTES

1. Definitions of terms in Table A were abstracted from Indiana law and from the *Year 2006 Hospital Statistics* from the American Hospital Association.
2. Majority of numbers shown in this statewide summary are shown in hundred thousands for ease of reading. Accordingly, the total gross patient revenue of 133 hospitals is \$25.8 billion dollars or \$25,839,598,625 in fiscal year 2005.
3. Data shown in this summary and in the individual hospital reports are in a unique electronic format designed to satisfy Indiana law (Indiana Code 16-21-6-3). Statistics reflect the costs for the hospital only. These reports are displayed with no editing by ISDH staff. This information represents all acute care hospitals licensed under IC 16-21-1. The reports do not include psychiatric hospitals licensed under IC 12-25.

Each hospital has submitted information on a secure Web site. Indiana hospital Chief Financial Officers interested in additional information on reporting should contact the ISDH.

Paper copies of the audited financial statement and Medicare Cost Reports are available from the ISDH on request. Both reports are on file for each acute care hospital and are retained in paper format for three years at the ISDH. Both reports reflect the total costs of the larger filing corporation.

It is estimated that statistics in this report represent roughly 98 percent of the revenue and expenses for all hospitals in Indiana. One should note that not all hospitals filed in any one fiscal year. These reports contain six reports from FY 2004 and three reports for FY 2006.